

**RURAL WATER, SEWER, GAS AND SOLID WASTE  
MANAGEMENT DISTRICT NO. 2, SEMINOLE COUNTY  
WEWOKA, OKLAHOMA**

**FINANCIAL STATEMENTS  
AND REPORTS OF INDEPENDENT AUDITOR**

**OCTOBER 31, 2022**

**Audited by**

**BLEDSON, HEWETT & GULLEKSON  
CERTIFIED PUBLIC ACCOUNTANTS, PLLLP**

**BROKEN ARROW, OK**

RURAL WATER, SEWER, GAS AND SOLID WASTE MANAGEMENT  
DISTRICT NO. 2, SEMINOLE COUNTY  
OCTOBER 31, 2022

**BOARD OF DIRECTORS**

**Chairman**

Fred Argo

**Vice-Chairman**

Ronald Stafford

**Secretary/Treasurer**

Eddie Neill

**Members**

Ralph Morton

**BOOKKEEPER**

Phallis Taylor

RURAL WATER, SEWER, GAS AND SOLID WASTE MANAGEMENT  
DISTRICT NO. 2, SEMINOLE COUNTY  
OCTOBER 31, 2022

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Seminole County Rural Water, Sewer, Gas  
and Solid Waste Management District No. 2  
Wewoka, Oklahoma

### *Report on the Audit of the Financial Statements*

We have audited the accompanying combined fund type and account group financial statements-regulatory basis of the Seminole County Rural Water, Sewer, Gas and Solid Waste Management District No. 2, Wewoka, Oklahoma (the District), as of and for the year ended October 31, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of October 31, 2022, and the respective changes in financial position and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

### *Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Supplementary Information***

The District has not presented the Management's Discussion and Analysis that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2022, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

***Bledsoe, Hewett & Gullekson***

Bledsoe, Hewett & Gullekson  
Certified Public Accountants, PLLLP

December 9, 2022



**BLEDSON, HEWETT & GULLEKSON**  
CERTIFIED PUBLIC ACCOUNTANTS, PLLLP

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Board of Directors  
Seminole County Rural Water, Sewer, Gas  
and Solid Waste Management District No. 2  
Wewoka, Oklahoma

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Seminole County Rural Water, Sewer, Gas and Solid Waste Management District No. 2, Wewoka, Oklahoma (the "District"), as of and for the year ended October 31, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 9, 2022.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of District's internal control. Accordingly, we do not express an opinion on the effectiveness of District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we identified one deficiency in internal control that we consider to be a material weakness. This finding is identified as item 22-1 in the accompanying Schedule of Audit Results.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Bledsoe, Hewett & Gullekson*

Bledsoe, Hewett & Gullekson  
Certified Public Accountants, PLLLP

December 9, 2022



RURAL WATER, SEWER, GAS AND SOLID WASTE MANAGEMENT  
DISTRICT NO. 2, SEMINOLE COUNTY  
DISPOSITION OF PRIOR YEAR'S SIGNIFICANT DEFICIENCIES  
OCTOBER 31, 2022

21-01 *Finding* – Presently the same individual performs all accounting functions: receives utility service-related payments, is responsible for service billing and adjustment, makes bank deposits, writes checks, reconciles the monthly bank statements and prepares monthly financial reports. This is considered a lack of segregation of duties.

*Recommendation* – While it may not be cost effective to hire additional administrative staff that would be necessary in order to adequately segregate the responsibilities, the District should consider a formal evaluation of their risks associated with this lack of segregation of duties. In response to the identified risks, consideration should be given to identifying and implementing controls that could help mitigate the risks associated with the lack of segregation of duties.

*Disposition* – This continues to be a finding.

**Rural Water, Sewer, Gas and Solid Waste Management**  
**District No. 2, Seminole County**  
**Wewoka, Oklahoma**  
Schedule of Audit Results  
October 31, 2022

Section 1 – Summary of Auditor’s Results:

1. An unmodified opinion report was issued on the financial statements.
2. The audit identified one significant deficiency in the internal controls over financial reporting, item 22-1, which was considered a material weakness
3. The audit disclosed no instances of noncompliance which are material to the financial statements

Section 2 – Findings relating to the financial statements required to be reported in accordance with GAGAS:

22-1 Internal Control – Segregation of Duties

*Criteria* – The segregation of duties and responsibilities between different individuals for custody of assets, recordkeeping for those assets, and reconciliation of those asset accounts is an important control activity needed to adequately protect the District’s assets and ensure accurate financial reporting.

*Condition* - Presently the same individual performs all accounting functions: receives utility service-related payments, is responsible for service billing and adjustment, makes bank deposits, writes checks, reconciles the monthly bank statements and prepares monthly financial reports.

*Cause* – The District’s limited size and staffing resources have made it difficult for management to provide sufficient staffing to fully segregate incompatible duties in a cost-effective manner.

*Effect or Potential Effect* – Without sufficient segregation of duties, the risk significantly increases that errors and fraud related to the accounting functions, including misappropriation of assets, could occur and not be detected within a timely basis.

*Recommendation* - While it may not be cost effective to hire additional administrative staff that would be necessary in order to adequately segregate the responsibilities, the District should consider a formal evaluation of their risks associated with this lack of segregation of duties. In response to the identified risks, consideration should be given to identifying and implementing controls that could help mitigate the risks associated with the lack of segregation of duties.

*Management Response* – Management agrees with this finding and will provide adequate staffing once annual collections increase enough to justify the extra expense.

**Rural Water, Sewer, Gas and Solid Waste Management  
District No. 2, Seminole County  
Statement of Net Position  
October 31, 2022**

	October 31,	
	2022	Memorandum Only 2021
<b><u>ASSETS</u></b>		
Current Assets:		
Cash in bank	\$ 115,393	87,435
Investments	143,871	143,333
Prepaid insurance	522	971
Accounts receivable	15,388	10,672
Total current assets	<u>275,174</u>	<u>242,411</u>
Capital Assets:		
Water system & improvements	688,552	688,552
Less: accumulated depreciation	<u>(373,103)</u>	<u>(359,240)</u>
Total capital assets (net)	<u>315,449</u>	<u>329,312</u>
Other Assets:		
Security deposit - ORWAAG	<u>1,046</u>	<u>1,046</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 591,669</u></b>	<b><u>572,769</u></b>
 <b><u>LIABILITIES</u></b>		
Current Liabilities:		
Meter deposits	<u>\$ 23,338</u>	<u>22,813</u>
 <b><u>NET POSITION</u></b>		
Net investment in capital assets	315,449	329,312
Unrestricted assets	<u>252,882</u>	<u>220,644</u>
Total Net Position	<u>568,331</u>	<u>549,956</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b><u>\$ 591,669</u></b>	<b><u>572,769</u></b>

The accompanying notes to the financial statements are an integral part of this statement

**Rural Water, Sewer, Gas and Solid Waste Management  
District No. 2, Seminole County  
Statement of Revenue, Expenses and Changes in Net Position  
For The Year Ended October 31, 2022**

	<u>2021-22</u>	<u>Memorandum Only 2020-21</u>
<b>Revenue from Operations:</b>		
Water sales	\$ 127,717	103,170
Late charges	1,261	1,806
Reconnect fees	0	1,114
Benefit units	75	300
Miscellaneous	4,924	5,820
Total revenue from operations	<u>133,977</u>	<u>112,210</u>
<b>Expenses from Operations:</b>		
Salaries, taxes and contract labor	28,850	17,749
Depreciation	13,864	13,864
Water purchases	48,774	35,871
Office	1,244	3,172
Insurance and bonds	2,228	1,709
Rent	300	300
Repairs and maintenance	7,155	14,777
Postage and box rental	394	457
Professional fees	2,500	1,850
Contract computer services	2,156	2,896
Miscellaneous	2,583	4,325
Water sampling	4,868	3,904
Dues and fees	1,295	1,771
Total expenses from operations	<u>116,211</u>	<u>102,645</u>
Operating Income (Loss)	17,766	9,565
<b>Non-operating Income:</b>		
Interest earnings	<u>609</u>	<u>666</u>
Change in Net Position	18,375	10,231
Total Net Position, beginning of period	<u>549,956</u>	<u>539,725</u>
Total Net Position, end of period	<u><u>\$ 568,331</u></u>	<u><u>549,956</u></u>

The accompanying notes to the financial statements are an integral part of this statement

**Rural Water, Sewer, Gas and Solid Waste Management  
District No. 2, Seminole County  
Statement of Cash Flows  
For Year Ended October 31, 2022**

	<u>2021-22</u>	<u>Memorandum Only 2020-21</u>
Cash Flows from Operating Activities:		
Receipts from customers	\$ 129,861	111,852
Payments to vendors	(101,974)	(88,843)
Total cash flows from operating activities	<u>27,887</u>	<u>23,009</u>
Cash Flows from Capital and Related Financing Activities:		
Investments (purchased) liquidated	(538)	(630)
Cash Flows from Investing Activities:		
Interest revenue	609	666
Net increase (decrease) in cash	27,958	23,045
Cash and cash equivalents, beginning of period	87,435	64,390
Cash and cash equivalents, end of period	<u>\$ 115,393</u>	<u>87,435</u>

Reconciliation of operating income (loss) to net cash provided by operating activities:

Operating Income	\$ 17,766	9,565
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation Expense	13,864	13,864
(Increase) decrease in accounts receivable	(4,717)	(1,158)
(Increase) decrease in prepaid insurance	449	38
Increase (decrease) in meter deposits	525	700
Net Cash Provided by Operating Activities	<u>\$ 27,887</u>	<u>23,009</u>

The accompanying notes to the financial statements are an integral part of this statement

**Rural Water, Sewer, Gas and Solid Waste Management  
District No. 2, Seminole County  
Notes to Financial Statements  
October 31, 2022**

**Note A – Significant Accounting Policies**

Basis of Accounting

The accrual basis of accounting is followed for all accounts. Revenues are recorded when earned and accrued liabilities are recognized when incurred. This policy is in accordance with generally accepted accounting principles.

The District follows GASB Statement No. 34 “Basic Financial Statements and Management’s Discussion and Analysis for State and Local Government.” This statement establishes financial reporting requirements for state and local governments throughout the United States. It creates information and restructures much of the information that governments have presented in the past.

Cash

The District’s accounts are with the Security State Bank, Wewoka, Oklahoma and First United Bank, Wewoka, Oklahoma, and are detailed as follows:

	October 31,	
	2022	2021
Revenue account	\$ 115,393	87,569
Less: outstanding checks	0	(134)
Total	<u>\$ 115,393</u>	<u>87,435</u>

Investments

The bookkeeper is authorized by the Board of Directors to invest certain amounts of money from available funds. The types of investments available are specified in and limited by Oklahoma Statutes, which includes certificates of deposit and governmental securities. Investments are recorded on the financial records and in the financial statements at cost. Income from investments is recorded when collected.

**Rural Water, Sewer, Gas and Solid Waste Management  
District No. 2, Seminole County  
Notes to Financial Statements  
October 31, 2022**

Investments – cont'd

The District had the following outstanding investments at October 31, 2022:

Security State Bank, Wewoka, Oklahoma	
Certificate of Deposit No. 2979	\$ 57,722
Certificate of Deposit No. 2977	35,644
Certificate of Deposit No. 2819	38,828
Certificate of Deposit No. 2918	<u>11,677</u>
 Total	 <u>\$143,871</u>

Other Assets

The District purchased a security deposit with ORWAAG of \$1,046. The District made the deposit in lieu of an annual fee of \$25 for membership with ORWAAG. The deposit is interest bearing and will pay at the T-bill plus 3% interest rate one time per year.

Accounts Receivable

Billings for accounts receivable at October 31, 2022 were \$15,388. Allowance for doubtful accounts was not computed on this balance because uncollectibles do not have a material effect on the balance sheet.

Capital Assets

Capital assets are valued at cost, depreciation is computed by use of the straight-line method. The estimated useful lives of these assets are as follows:

Water system	40 years
Water meters	10 years
Equipment	5-7 years

Federal Income Tax

The District is exempt from Federal and State income taxes.

**Rural Water, Sewer, Gas and Solid Waste Management  
District No. 2, Seminole County  
Notes to Financial Statements  
October 31, 2022**

**Collateral Pledged**

It appears that all funds were adequately insured by the \$250,000 FDIC coverage as of October 31, 2022.

**Long-Term Debt**

There was no long-term debt at October 31, 2022.

**Memorandum Totals**

The “Memorandum Only” captions above the total columns means that totals are presented for overview information purposes only.

**Note B – Insurance and Surety Bond Coverage**

At October 31, 2022, the District had appropriate coverage against all major perils.

**Note C – Accumulated Unpaid Vacation and Sick Pay**

At October 31, 2022, no determination of the aggregate dollar value of vacation or sick pay had been made.

**Note D – Pending Litigation**

District officials are not aware of any pending or threatened litigation, claims or assessments or un-asserted claims or assessments against the District.

**Note E – Subsequent Events**

Management has evaluated subsequent events through December 9 2022, which is the date the financial statements were available to be issued and have determined that no additional information needs to be added to the financial statements.